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SUMMARY

Agenda Item : H

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PLANNING IN AN IMPORT : SENSITIVE ECONOMY

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P L A N N I N G I N A N I M P O R T - S E N S I T I V E E C O N O M Y

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S u m m a r y

1. The paper describes the structural unbalance of the international division of labour between the underdeveloped and the industrial countries. Former "export economies" caught in the trap of unilateral and excessive export specialization became "import-sensitive" on account of lack of sufficient demand on the world capitalist market for their traditional exports, coupled with pressing import needs. For the majority of developing countries the foreign currency shortage becomes the most dangerous bottleneck slowing down the everall rate of growth. The whole strategy of development must be subordinated to the task of easing this bottleneck.

2. The ways of increasing traditional as well as nontraditional exports are examined by means of price reduction, drive for new geographical markets, proper organizational measures, international planning and proper choice of investments. On the whole, targets for increasing exports call for a realistic and cautious assessment.

3. Once all the possibilities of increasing exports have been taken into consideration, the only way of increasing the overall rate of growth of an economy consists in reducing as much as possible the import - coefficient. The paper recomends three sets of measures: a policy of austerity as far as current imports are concerned, choice of investment projects with smaller foreign component and an integrated policy of achieving import-substitution mostly through industrialisation. In the long-run, continuous and effective reduction of import coefficient depends on the ability of a country to set up its own industry of producer goods, mainly machine building industry; other considerations prevail, however, in the shorter - run and a mixed strategy is called for both in the allocation of the import capacity and the setting of the investment programme, aimed at import-substitution.The paper discusses at some length the ways of achieving effective import osubstitution by utilizing iddle capacities of the existing industries and the expansion of consumer goods industries /with

the exception of these turning out luxury goods/. The criterion of comparative costs, invoked frequently as an argument against the industrialization on underdeveloped countries, is dismissed due to its fundamentally static character as well as to its implied assumption of an elastic world demand for the primary goods, produced by the developing countries . For an "import-sensitive economy" the real choice is to start to produce machinery even at a high initial cost or to reduce the rate of investment even beyond the rate of savings by lack of available capital goods on the market. The consideration of absolute marginal cost of production of essential import-substituting goods /and of export goods/ becomes secondary to that of availability of these goods /provided they are obtained at the lowest possible cost under given circumstances/.

4. The following conclusions are emphasized:

/i/ In an "import-sensitive economy" import-substitution is a major goal to be pursued by the planner. The lower the overall import coefficient, the higher becomes the rate of growth compatible with a given import-capacity;

/ii/ The situation is somewhat analogous to that of capitaloutput ratios: by proper policies it is possible to lower them to achieve thus a higher rate of investment with a given amount of capital;

/iii/ Instead of fixing import coefficients and use them as constant parameters in models of growth, the methodological approach should be reversed: rather than to accept the import coefficients on basis of previous experience, international comparisons etc., their maximum reduction should be sought for and erected into a criterion of evaluation of the plan, as well as of current economic policies;

/iv/ In an "import-sensitive economy" all the major bottlenecks reflect themselves in the foreign trade and, resiprocally, the lack of sufficient import capacity sharpens all the contradictions of the economy. A careful consideration of the foreign trade implications of the proposed path of development provides an opportunity for a cross-examination of the soundness of the whole plan.

S - 677 E - Oct.1962 - 1,600